
IOWA UTILITIES BOARD
Energy Section

Docket No.: RPU-2014-0002
Utility: MidAmerican Energy Company
Memo Date: November 12, 2014

TO: The Board

FROM: Dan Fritz -Team Lead, Leslie Cleveland, Rob Hillesland, Bob LaRocca, Ellen Shaw, Gary Stump, Mack Thompson

SUBJECT: Question Memo in Docket No. RPU-2014-0002

I. Background

On October 10, 2014, MidAmerican Energy Company (MidAmerican) filed with the Board an Application for Determination of Ratemaking Principles (Ratemaking Principles). This project has been identified as Wind IX. MidAmerican is requesting eight principles related to the construction of 162 MW of additional wind capacity. MidAmerican is requesting expedited treatment of this case and is asking for a decision by January 15, 2014. The requested principles cover:

- Iowa Jurisdictional Allocation
- Cost Cap
- Size Cap
- Depreciation
- Return on Equity
- Cancellation Cost Recovery
- Renewable Energy and CO2 Credits, etc.
- Federal Production Tax Credits

II. Legal Standards

Iowa Code § 476.53(3)c states:

In determining the applicable ratemaking principles, the board shall make the following findings:

- (1) The rate-regulated public utility has in effect a board-approved energy efficiency plan as required under section 476.6, subsection 16.

(2) The rate-regulated public utility has demonstrated to the board that the public utility has considered other sources for long-term electric supply and that the facility or lease is reasonable when compared to other feasible alternative sources of supply. The rate-regulated public utility may satisfy the requirements of this subparagraph through a competitive bidding process, under rules adopted by the board, that demonstrate the facility or lease is a reasonable alternative to meet its electric supply needs.

III. Analysis

As part of its review of MidAmerican's filing, staff has developed several questions which are listed below.

1. Provide a chart that compares the requested cost cap, the approved cost cap, and the actual cost for each of the prior MidAmerican wind cases.
2. Provide a table that shows the average installed cost/MW of wind capacity in the Midwest Region for each year from 2004 through 2013. Include sources and explanations detailing the calculations.
3. Identify the developer from whom MidAmerican is purchasing the rights to the Wind IX site, the price paid for the rights, and key details related to this purchase.
4. When did the Wind IX project enter the MISO Interconnection Queue?
5. Regarding the economic analysis, in what year did MidAmerican assume the greenhouse gas emission benefit would begin?
6. Does the assumed greenhouse gas emission benefit vary by year or is it constant? If it was assumed to vary, provide the annual values.
7. Explain why it is appropriate to assume both a REC value and a greenhouse gas emission benefit in the economic analysis.
8. How much of the greenhouse gas emission benefit will flow to customers prior to the wind units being placed in rate base? How will that benefit flow to customers?
9. Is it possible the greenhouse gas emission benefits could be sold and not flow to customers as contemplated in the "Renewable Energy and CO2 Credits and the Like" principle?
10. With respect to the Wind VIII and Wind IX economic analyses, provide a table and narrative summarizing:
 - a. All changes in the financial model formulas, revenue/cost items added, and revenue/cost items deleted
 - b. The differences in all key input assumptions used in the model.
11. Provide an analysis similar to that provided by MidAmerican in response to question 5 of the Board's Order dated June 26, 2013, in RPU-2013-0003

- a. Provide the analysis with and without the assumed greenhouse gas emission benefit.
12. Does the economic analysis accurately reflect the recently reported service and maintenance agreement between MidAmerican and Siemens? If not, update the analysis.
13. Regarding Table 2 in Section 2.1, Page 5 of the Application
 - a. What is the basis for the cost estimate for the line item titled "Additional Substation and Transmission (off-site – beyond the collector substations)"?
 - b. What cost components have been contractually fixed? If an amount has been agreed to between the parties and is awaiting Board approval for finalization, treat those items as fixed.
 - c. What percentage of the total project cost has been contractually fixed?
 - d. For the portion of the project for which costs have not been fixed, quantify the uncertainty associated with those costs.
14. If the price of the turbines was agreed to prior to this filing, please explain if turbine prices today are lower than the cost MEC agreed to pay for the turbines to be used in Wind IX.
15. Is there a percentage of retail load served by wind capacity that represents an upper limit to MidAmerican's wind expansion? What is that percentage?
16. Wind generation will reduce the production needed from generating units that are already included in MidAmerican's rates. Will all of the existing generation currently in MidAmerican's rates continue to be used and useful?
17. If MidAmerican were not able to secure PTC's for this project would it still be viable?
18. Is wind competitive with other generation resources, namely gas, without the PTC's?
19. If PTC's are necessary for wind to be competitive, does it make sense to further increase the cost by requesting a premium on the ROE?
20. Does the addition of even more wind decrease generation diversity and increase dependence on one type of generation?
21. How does the relatively low cost of natural gas impact the value of this project?
22. Provide the most recent 12-month average A-rated utility bond yield.
23. Provide the average allowed electric utility ROE in state rate cases for the year 2014 as was provided for years 2002 to 2013 in Table 2 found on page 45 of Dr. Vander Weide's direct testimony.
24. Provide a breakdown showing the costs and the benefits that will flow to customers in Wind VIII vs. Wind IX, both before and after a future rate case. Explain any differences or variances between the two cases.

IV. Recommendation

Staff recommends the Board sign the attached order requiring MidAmerican to provide responses to the questions included in this memo.